

# BOOKS

## The Lustre of Gold

With an Introduction by

Hans F. Sennholz

Foundation for Economic Education • 1995 •  
153 pp.+iv • \$14.95 paperback

Reviewed by Ron Paul

**T**he lustre of gold indeed! Unearth an ancient Roman coin, and it gleams as surely as it did in the Forum of The Republic. Melt down (Heaven forbid) a gold Eagle from the presidency of George Washington, and the gold—shorn of any numismatic value—will buy about what it did then. The paper dollar, on the other hand, has lost almost all of the value it had before the founding of the Federal Reserve and the destruction of the classical gold standard.

Money is a commodity like any other, as Carl Menger and Ludwig von Mises showed, but a commodity that was gradually settled on by market participants as the most liquid commodity, that is, the thing most readily accepted and held by other people for use in economic transactions.

There is one difference, however, as Murray Rothbard pointed out, between a monetary commodity and other commodities. All other things being equal, we are better off with more tomatoes or refrigerators than fewer. But we are not better off with more money. Any amount of money is optimal. It makes no difference, economically, if a loaf of bread costs two cents or two dollars, provided either amount is the same portion of the total. But it makes a tremendous difference if the amount of money in circulation is artificially increased.

Before the invention of paper money, the king's agents would clip the edges off the coins, and demand that the people accept them at their old value. Or the government would call in the coins, melt them down, and reissue them at the old value but with less precious metal.

Things got worse with the invention of paper money, since there was a limit to the debasement of gold and silver coins, and they could not be printed up on a government printing press at will. And things got much worse with the introduction of central banking, perhaps the most

disastrous step in economic policy ever taken. As demonstrated by our own beloved Federal Reserve System, under central banking, the government can inflate until the cows come home, and unlike the more honest forms of crookery dominant in past ages, pass it off as a normal or even necessary part of the economy. Indeed, anti-gold Keynesian economists would claim exactly that.

Former Vice President Walter Mondale was once heard to say, after a briefing by an economist during the 1984 presidential campaign, "Now I finally understand the Federal Reserve." Well, probably not, but it shows another problem. The Fed obfuscates. It's a giant fog machine, designed to fool the victims of its policies, i.e., most of us. In the process, it even fools some of the politicians, as I discovered during my terms in the House of Representatives.

Fed disinformation is politically necessary. After all, although it was founded to inflate, that is, to depreciate the dollar for the benefit of the government and its friends, it can't very well admit to that. Why, the voters might get angry. So instead, we get such howlers as the press telling us that the Fed is "fighting inflation," when all it does *is* inflate, as well as cartelize the banking industry, allowing it to inflate in unison with the central bank.

The Fed also causes the business cycle, recessions, and depressions, as Mises demonstrated, bringing about immense suffering.

The establishment of the Fed also meant the gradual destruction of the gold standard that had made possible the freedom and prosperity of the nineteenth century. (Not that the period was monetarily idyllic. We also had two early central banks and Lincoln's greenback inflation, for example.) When the Fed was established under Woodrow Wilson, another warmonger, in 1913, the gold cover on the currency was reduced to 40 percent. Then our third great warmongering president, Franklin D. Roosevelt, confiscated the people's gold, and took America off the domestic gold standard.

Warmongers Johnson and Nixon finished off even that attenuated gold standard in 1968 and 1971 (did I mention that the Fed makes the funding of war much easier?), and since then, we have been on a pure fiat standard.

A pure fiat money standard is not only economically and politically disastrous, it is also a moral calamity, as the decline of our nation in that sphere has also shown, since—among other things—inflation encourages profligacy and penalizes thrift. Yet, with the weakness of the dollar

on international exchanges, not to speak of people's increasing worries about the future and doubts about the government, I believe we are coming to a time when an alternative can be considered: honest money, hard money, and sound money—the gold standard. Certainly the idea has somewhat more academic and political support than in the past, when Keynesian economics ruled almost unchallenged.

How appropriate, then, is the publication of *The Lustre of Gold*. One of the great things Hans F. Sennholz has done since assuming the helm at FEE is to publish a series called "The Freeman Classics," which collect the great essays from that journal by topic. This is one of the best. Its 17 essays represent an impassioned and eloquent argument for the gold standard as the only money worthy of a free and civilized people.

Five pieces by Henry Hazlitt and three by Dr. Sennholz are the stars, but there are also excellent contributions from such men as Elgin Groseclose, Lawrence Reed, Mark Skousen, and Robert Anderson, with a learned and rousing introduction by Dr. Sennholz as well.

All point to the same conclusion. We, and indeed the entire world, need, in the words of Hazlitt, a "100 percent reserve gold standard." Only this system, and not the watered-down varieties like the gold-exchange standard, can abolish inflation and the business cycle, eliminate the partial barter system of fluctuating fiat currencies internationally, and give to our people the sort of sound economic growth that capitalism promises, but has not delivered since the evil day in 1971 when Nixon removed the last gold restraint on the Fed.

In our most productive periods, money was worth more every year, as its supply increased very slowly through gold mining, and the supply of goods and services exploded through *laissez faire*. It sounds like science fiction now, but savers were rewarded by seeing their savings buy more at retirement than when they were put away. There was no central bank, no welfare state, and no warfare state.

This is how a free market, gold standard America worked. For the sake of our children and grandchildren, and of our liberty and prosperity, may it be so again. □

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*Former Congressman Ron Paul was a co-founder and member of the U.S. Gold Commission, where he brought about the restored minting of American gold coins. Dr. Paul is also author of Gold, Peace, and Prosperity and co-author of The Case for Gold.*

## Loving Your Neighbor: A Principled Guide to Personal Charity

Edited by Marvin Olasky

Capital Research Center • 1995 • 146 + vi pages • \$15.00 paperback

Reviewed by Montgomery B. Brown

*Loving Your Neighbor* is essentially a sequel to *The Tragedy of American Compassion*, Marvin Olasky's highly influential history of efforts to fight poverty in America. The earlier work shows how, over time, the spiritual foundation and personal character of assistance to the needy in our country were largely undermined by expansive government programs. Each chapter of *Loving Your Neighbor* describes a particular organization or program for helping the poor, and each confirms lessons drawn from Olasky's history: the successful ventures are typically spiritually grounded, private, and modest in scale, while the secular and more ambitious public programs are mostly ineffective and often harmful.

*Loving Your Neighbor* contains a dozen essays previously published in the Capital Research Center's newsletter *Philanthropy, Culture, and Society*. Olasky himself wrote three and co-wrote another. The collection is divided into three sections: one describing efforts to help homeless people, one portraying youth programs, and one on urban renewal projects. (One of the chapters on helping the homeless was written by Gerald Wisz, who profiled the same organization for *The Freeman's* October 1994 issue.) The essays are united by simple principles that Olasky restates in the afterword to *Loving Your Neighbor*: "think small, and think of souls rather than bodies."

Every successful program depicted has a religious, or more precisely, biblical basis that gives it guidance and stability. To begin with, the Bible instructs those working for charities that the needs of the poor go well beyond the financial or material. It teaches that more than wealth is needed to build (or rebuild) a community, more than square meals to nourish a child. A biblical underpinning is also invaluable in sustaining volunteers who labor in a field with small rewards, frequent failures, and strenuous demands for patience and humility.

Successful efforts also draw from the Bible the conviction that true charity cannot undermine the responsibility of those who receive it; on the